ANALYSIS OF THE DEVELOPMENT OF COLOMBO SEAPORT BASED ON PRODUCTIVITY, PROFITABILITY AND CAPACITY UTILIZATION 1980 - 2004

By

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This dissertation was submitted to the Department of Management of Technology of the University of Moratuwa in partial fulfillment of the requirement for the degree of Master of Business Administration.

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Declaration

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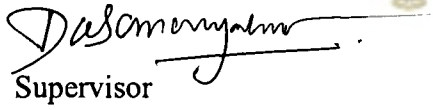

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Abstract

The Colombo Seaports will play a key role in economic activities of Sri Lanka utilizing it's strategic location in the main sea route on the Indian Ocean. Sri Lanka needs to reach the highest level in port management and rendering services to its customers to comparing other ports in the region. Even at present, the Port of Colombo handling two millions containers and earns huge revenue which will vastly contribute to the development of the country and generating employment around twenty seven thousands workers who come from all parts of the country.

In considering the ongoing competition of the region's shipping industry, it is the right time for policy makers to keep at least one step ahead of its other competitors to be in line with the port development and productivity aspects. This may help to derive most of the direct and indirect benefits which Sri Lanka seaports and their business activities have not yet been fully realized. Keeping in mind that port of Colombo can be brought to the standards of Singapore and Hong Kong if proper plans work out. Hence it is the duty of all stake holders, the policy maker's, business leaders and every citizen of the country to act with the view to making "The Mega hub port" concept a reality within next five years.

During the second half of the British occupation of Ceylon, Colombo seaport acquired a reputation as the major shipping centre of the Indian ocean and the seventh largest port in the world, in considering the tonnage handled during the inter war period. But, after the political independence in 1948 there was a decline in the port activities owing to the inward looking policies of the South Asian region and the lack of investment to cope with the maritime sector technological development and seaport infrastructure. After economic and shipping policy reform in 1977 and 1990, the Colombo seaport showed an impressive growth. Port of Colombo has been ranked as the best managed and most efficient hub port in the South Asian region.

Considering above factors first, this analysis based on the Cobb-Douglas production function showed that Colombo seaport has had increasing return to scale during the last twenty five years. The return to scale depends largely on the demand for seaport service, and on corresponding developments. Second, analyses the profitability of operations in the Colombo seaport based on the productivity analysis. The average profitability measures of (W< MPPI and r% < MRPK %) prove to be well above the acceptable limits. Third, analyses the capacity utilization of the Colombo seaport during the last twenty-five years. This analysis shows that the annual rate of increase of tonnage and container handling in the Colombo seaport has been positive, and that the rate has increased over time at an increasing rate. In economic terms, when a firm experiences full capacity utilization, it operates in the minimum area of the long-run cost curve. The forecast of future demand for port services based on SWOT analysis is necessary before making any final decision to expand seaport facilities.

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ACRONYMS AND ABBREVIATIONS

ADB	-	Asian Development Bank
APMT	-	AP Moeller Terminals
CASA	-	The Ceylon Association of Ships Agents
CPC	-	Ceylon Petroleum Corporation
CSH	-	Colombo South Harbour
ECNA	-	East Coast North America
EIU	-	Economic Intelligence Unit
EPC	-	Engineer/ Procure/Construct
EIRR	-	Economic Internal Rate of Return
EDI	-	Electronic data interchange
EIA	-	Environmental impact assessment
FIRR	-	Financial internal rate of return
FIRR	-	Financial Internal Rate of Return
GDP	-	Gross Domestic Product
ISA	-	Initial social analysis
IRR	-	Internal Rate of Return
ISC	-	Indian Sub Continent
ISO	-	International Standards Organization
JBIC	-	Japan Bank for International Cooperation
JCT	-	Jaya Container Terminal
JNP	-	Jawaharial Nehru Port
MPDDS	-	Ministry of Port Development and Development of the South
NPV	-	Net present value
NSICT	-	Nhava Sheva International Container Terminal
PMU	-	Project management unit
QEQ	-	Queen Elizabeth Quay
PIANC	-	International Navigation Association
SAGT	-	South Asia Gateway Terminal
SHDP	-	South Harbor Development Project
SHDT	-	South Harbor Development Team
SLPA	-	Sri Lanka Ports Authority
TA	-	Technical Assistance
TEU	-	Twenty-foot equivalent unit
UCT	-	Unity Container Terminal